



Department of Energy

Washington, DC 20585

MAY 22 2002

MEMORANDUM FOR DISTRIBUTION

FROM:

BRUCE M. CARNES
DIRECTOR, OFFICE OF MANAGEMENT, BUDGET
AND EVALUATION/CHIEF FINANCIAL OFFICER

SUBJECT:

Performance Measurement Guidance for the FY 2004
Budget

In my memorandum dated April 29, 2002, on the FY 2004 Corporate Review Budget Requests, I promised that guidance concerning performance measures for the FY 2004 budget would be forthcoming. The Office of Program Analysis and Evaluation (PA&E) and the Office of Budget in the Office of Management, Budget and Evaluation (OMBE) have worked together to refine the guidance for FY 2004, based on feedback from the program offices. This performance measures guidance has been designed to eliminate redundancies and to streamline the performance measurement data in the budget. Specific changes implemented with this guidance are:

Streamline the Presentation of Performance Measures in the Budget

Delete the section entitled "Corporate Context." The purpose of this section was to provide a Strategic Plan overview to which all the subsequent sections would be linked, i.e., Executive Summary, Major Programs, Component or Sub-programs. Because the budget structure differs from the organization of the Strategic Plan, the Corporate Context was restated in each volume of the budget where a related program was covered. For FY 2004, the proposal is to include the Department-level goal and strategic objective(s) in the highest-level section (Executive Summary or Program Mission) of the office's budget.

Delete the section on performance standards associated with each Program Strategic Performance Goal (PSPG). The Department will present common performance standards in the Annual Performance Plan.

Eliminate the redundancy in performance measures data at lower levels (i.e., the Mission Supporting Goal and Objectives section) of the Budget. If the Executive Summary includes an adequate mission description, and includes satisfactory performance measures, performance measures in the Mission Supporting Goals and



Objectives section will not be necessary, as it would merely restate the program's performance measures in narrative form.

Provide Performance Measures as Part of the Applied R&D Investment Criteria

The multi-year planning process identifies critical decision points, key decision milestones, "graduation criteria" (which defines when the R&D activity will transition from the Federal to the private sector for commercialization or further research), and an end-point for DOE-supported technology development and deployment. When executed properly, R&D activity planning will lead to well-documented, quantifiable annual performance milestones or accomplishments, as well as mid-term goals and milestones or research outputs that are clearly linked to the program's long-term goals. Objective baselines must be provided for key technical parameters needed to quantify the state of technology at the point in time the R&D activity planning begins. Where appropriate to the research activity, those parameters will lend themselves to use as trend indicators that can be measured relative to those baselines. This process will ensure continuous feedback to Departmental planning and resource allocation efforts.

Applied R&D scoring using the Department's applied R&D investment criteria will be provided to OMB in September with the budget submission.

Attachment A is the Departmental Policy on Performance Measures. This document outlines the Department's current policy on performance measures. It clarifies the terminology, definitions and criteria for acceptable performance measures, and includes examples of good and unacceptable performance measures.

The guidance at Attachment B discusses OMB's agency-specific Program Effectiveness Review process for affected programs that will receive close scrutiny over the summer and into the fall decision-making process.

Any questions on the performance measurement guidance should be directed to Mr. Chris Simpson, PA&E, at (202) 586-4310.

Attachments

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SUBJECT: Department of Energy (DOE) Policy on Performance Measures

PURPOSE

This document establishes a framework for improving and refining the content and quality of DOE's performance measures and for ensuring consistency in performance measurement and reporting across the Department's strategic planning and budget documents.

BACKGROUND

Improving performance measurement is part of the President's Management Agenda; all Departments and Agencies are required to do so, and in so doing should have such measures at the program level. Furthermore, in accordance with the Federal Managers Financial Integrity Act, the quality of DOE's performance measures and our performance measurement reporting have been reported to the President and Congress as a serious management challenge. The purpose of performance measures is to assess the efficiency and effectiveness of programs; to show progress towards achieving the outputs and outcomes for which the programs were established; to evaluate and hold managers accountable for results; and to facilitate and support the process of informing the public of the benefits it receives from government activities.

Performance Measurement Problems this Policy is Intended to Correct

Congress, the Office of Management and Budget (OMB), the Government Accounting Office (GAO), and DOE's Inspector General (IG) have been critical of the quality and usefulness of DOE's performance measures and the Department's efforts to objectively report results against those performance measures on an annual basis. Some of the most frequently heard criticisms include the following:

- Unclear, jargon-laden measures and results;
- Measures that do not support the goals to which they are matched;
- Goals that are not related to meaningful outcomes, instead measuring internal processes and activities that mean little to the general public;
- Measures that are process-oriented (i.e., describing how the activity is being done) rather than output/outcome-oriented (i.e., describing an empirically-demonstrable result);
- A lack of explanation for shortfalls in performance (e.g., an inability to transparently report on the Department's successes and failures); and,
- An inability to accurately evaluate the costs of achieving outputs and outcomes.

APPLICABILITY

This guidance is applicable to all Departmental elements. In addition, it is applicable to the Department's annual planning documents such as the Annual Performance Plan, the Budget, the Performance and Accountability Report, and to the process of scoring applied R&D projects in accordance with the Department's Applied R&D Investment Criteria.

We must develop and use performance measures that are linked to the outcomes articulated by the President and the Secretary. To do so, major program elements must map their performance measures to those outcomes. Outcome-oriented performance goals are the cornerstone of the Department's ability to integrate performance with the budget. Performance measures need to be written to demonstrate to the public the benefits received as a result of the Department's efforts, and need to be written in a plain language that provides clarity and accessibility to the public on the Department's mission, the results DOE expects to deliver for the resources provided, and leadership in correcting problems. Performance goals need to be outcome-oriented, clearly measurable, supported by annual performance targets, and defined to support Department-level strategic goals.

Annual outputs must contribute to desired long-term outcomes. These outputs should produce a measurable effect or impact on the problem that is addressed under the performance goal. Evaluation efforts should be focused on refining an understanding of whether and how trends in outcomes are caused by program and organizational outputs. The Department's annual Government Performance and Results Act (GPRA) performance report will provide documentation of the clarity, measurability, and acceptability of the results.

Managers in all program and staff offices (offices) need to be able to track costs against performance measures, consistent with OMB guidance.

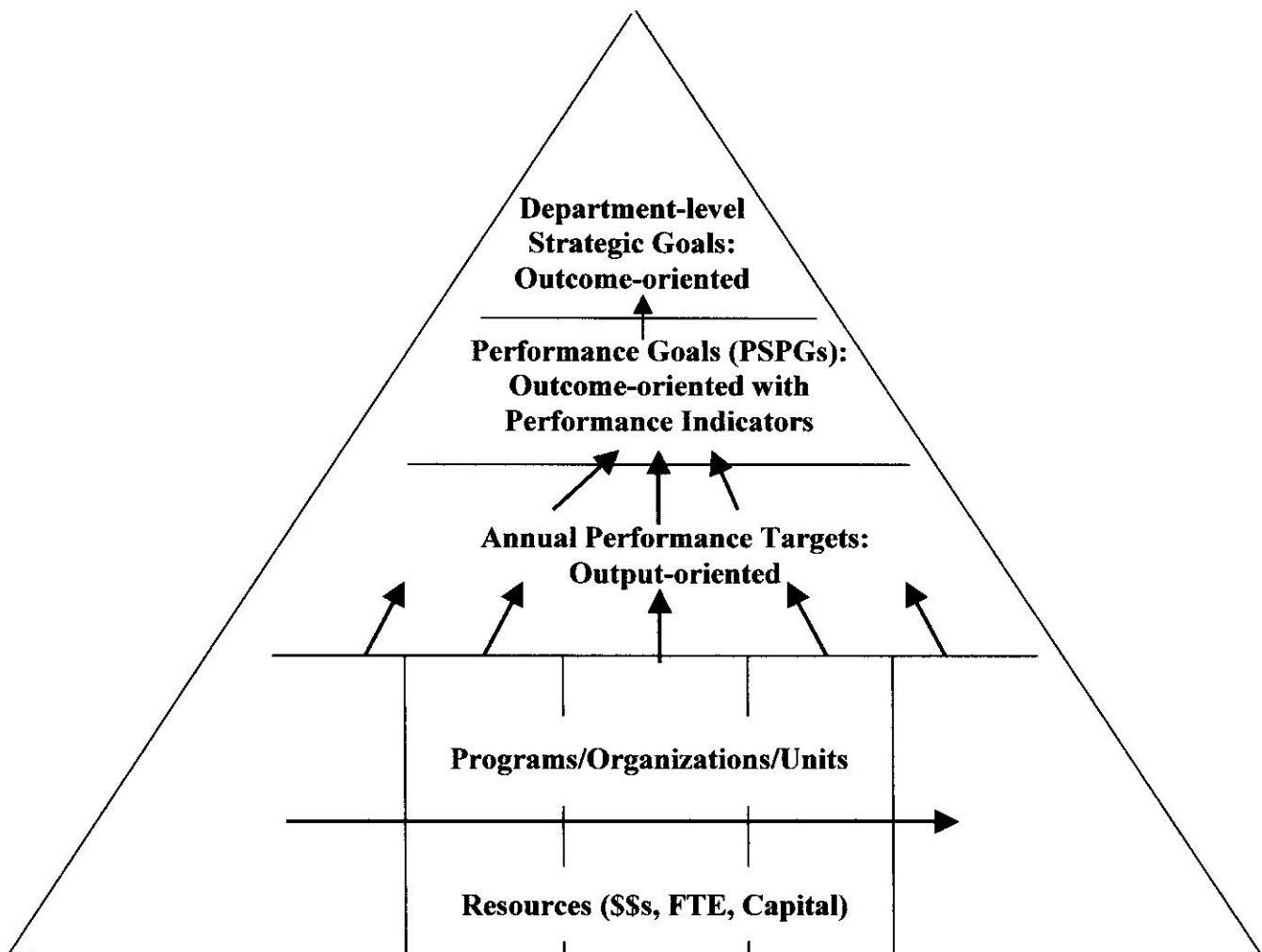
Linkage Between Planning, Budget, and Performance Documents

DOE's planning, programming, budgeting, and evaluation system (PPBES) reflects a cascade of several documents and two database systems documenting each step from high-level, long-term strategic planning to performance and financial reporting for one specific year. A new Strategic Plan will be developed over the next several months that will describe outcomes for DOE 20 years into the future. The Strategic Plan is supported by program plans, which cover the next 10 years, and are prepared by the individual offices. (These program plans are sometimes referred to as a strategic plan as well). Program plans demonstrate how individual programs contribute to the strategies and goals identified in the overall DOE Strategic Plan. The Department's next lower level plan, a 5-year plan, identifies the resources and performance goals for the first half of the program plans. The 5-year plan resides on PIRS (Program Information Reporting System), a database designed to hold hierarchical descriptions of programs, their funding requests, and their annual performance targets. Performance data will be tracked in the

Joule system (Performance Measures Tracking and Reporting System). Performance reporting for current year performance will be the basis of the Performance and Accountability Report.

Connecting Performance Measurement: A Fully Integrated Goal Structure

The pyramid below illustrates the relationship between levels of performance measurement. Each Department-level strategic goal has at least one related outcome-oriented performance goal, and at least one (and usually many) output-oriented annual performance targets.



Consistency in performance measures from one year to the next, and over multiple years, will permit trend analysis. For this reason, performance measures must be consistent with DOE's Strategic Plan, the Annual Performance Plan (APP) and the Budget.

ACTIVITIES FOR FY 2004

Beginning with the FY 2004 budget cycle, the Departmental goal is to develop only those performance measures that are measurable, quantifiable, and appropriately output or outcome-oriented. Offices will be asked to revise measures that do not meet these standards. Office leaders should be personally involved with developing performance measures that describe empirically-demonstrable results for their programs.

PERFORMANCE MEASURE TERMINOLOGY

Department-level Strategic Goal is a long-term, outcome-oriented statement written in a manner that allows quantifiable measurement of progress. In accordance with the Annual Performance Plan, the Department has established one for each of the five mission areas: Energy Resources, Environmental Quality, National Security, Science, and Corporate Management. A strategic objective is a major accomplishment that significantly contributes to the attainment of a particular Department-level strategic goal. Strategic objectives are written as measurable and achievable by a specific date.

Performance Goal (Program Strategic Performance Goal [PSPG]) is a quantified statement of the intended outcome from a major program during the next 5 years (or a longer period that is appropriate for the program) toward a particular Departmental-level strategic goal and strategic objective. It is not an activity or a process. (Asks the question: What do you want to accomplish?). Selected performance goals are included in the Annual Performance Plan. The intended level of performance is expressed as a tangible, measurable objective, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value or rate. Performance goals must be outcome-oriented.

Annual Performance Targets are measures of program/sub-program outputs toward the PSPG. These are specific statements of fiscal year goals. They must be all of the following: specific, quantifiable, complete, supporting, achievable, concise, written for ease of understanding, comprehensive, auditable, proportional, precise and accurate, and meaningful and relevant. A full discussion of these performance measures criteria is provided on Page 6.

Performance Indicator is a quantitative measure of longer-term progress toward the performance goal. Performance indicators demonstrate the effectiveness or efficiency of achieving intended outcomes, and tie directly to PSPGs.

Performance Measure is a general term applying to a performance goal, an annual performance target, a performance indicator, or the actual result.

Goals and objectives can also be characterized by whether or not they are either output or outcome-oriented. An output-type measure describes the level of activity or effort that will be produced or provided over a period of time or by a specified date, including a description of the characteristics and attributes (e.g., timeliness) established as standards in the course of conducting the activity or effort (Asks the question: What will you achieve now?). An outcome-type measure is a description of the overall intended result, effect, or consequence that will occur from carrying out a program or activity (Asks the question: What happens as a result?).

PERFORMANCE MEASURES CRITERIA

The following criteria, which have been revised since their inclusion in the Department's FY 2003 Annual Performance Plan, should guide the development of annual performance measures at the office level:

SPECIFIC	Performance measures should plainly and precisely state what will be accomplished.
QUANTIFIABLE	State in objective terms the level of achievement (measured with accuracy and certainty). It is possible to assign a numeric value on a scale to the result. Percentages without a quantified base are not acceptable. When we state we are "improving" something, we must then specify (in quantifiable terms) the baseline from which we are improving, and the level to be achieved.
COMPLETE	The description of the performance measure must provide a basis for evaluation and should stand alone without reference to last year's Plan or annual performance results.
SUPPORTING	State how the measure supports the performance goal or the Department-level strategic goal, and how the planned outcome will achieve the desired result.
ACHIEVABLE	The performance measure is a firm statement, in quantifiable terms, of what the responsible program manager is committing to accomplish with the resources provided within the program's budget. The expectation is that 100% of the goal/target will be accomplished with the requested resources. Office goals must be restricted to those that are under their control.
CONCISE	Descriptions of performance goals and measures should be short, direct, and to the point (not more than 40 words).
WRITTEN FOR EASE OF UNDERSTANDING	Performance measures should be written in plain language, requiring only newspaper-level knowledge of DOE and world events. Absolutely no acronyms should be used, and the use of jargon or technical terms must be avoided.
COMPREHENSIVE	The performance measures for an office must reasonably represent all of the resources with which it has been entrusted to support accomplishment of the Department's mission for the fiscal year. Planning/programming personnel in each DOE office must ensure that there is a documented link between the individual annual performance target and the Department-level strategic goal(s).
AUDITABLE	Each performance measure should be based on factual information, so that the DOE IG, OMB and the GAO can satisfactorily conduct program audits/reviews. Justification/empirical evidence must be available and can be provided to verify the stated results.
PROPORTIONAL	The size and scope of the program should dictate the number of performance measures.
PRECISE/ACCURATE	All readers using the data should arrive at the same conclusion on performance.
MEANINGFUL/RELEVANT	The output must contribute significantly to the Department-level strategic goals.

The accuracy and validity of performance measurement data relate to (i.e., are a subset of) the issue of reliability of performance results.

The “Do-Not’s” of Performance Measure Writing

- 1) Avoid at all times use of the words “continue,” “support,” “assist,” “evaluate,” “assess,” and “initiate”;
- 2) Do not use the terms “improve” or “increase” without describing quantitatively the condition at the beginning and end of the performance;
- 3) Do not use the terms “minimize” or “maximize” without providing a quantitative baseline (beginning state) and quantified end-state (output/outcome-result).

Examples of Performance Measures Needing Improvement

- Maintain the current level of national hydropower capability and economic competitiveness. (Reason: goal describes an activity not fully under DOE control)
- Measure CP violation in B mesons with an uncertainty of +/- 0.12. (Reason: jargon-laden)
- Commission polarized protons at Relativistic Heavy Ion Collider (RHIC). (Reason: jargon-laden)
- Migrate the users with the largest allocations to the IBM-SP from the previous generation Cray T3E. (Reason: jargon-laden, uses technical terms and/or assumes a level of computer knowledge/sophistication the public may not have)
- Complete the FY 2003 milestones in the XXXX implementation plan. (Reason: vague, process-oriented, requires an “insiders” knowledge of a plan the public is not likely to have access to)
- Assess Line Management’s progress in implementing Integrated Safeguards and Security Management. (Reason: process-oriented, lacks a baseline to measure progress, lacks meaningfulness/relevancy)
- Minimize the number of vacant critical skill positions and reduce the average age of the critically skilled workforce through recruitment and retention of a new generation of nuclear weapons stewards. (Reason: process-oriented goal [i.e., starts with a verb]. Lacks a beginning baseline and an ending target. “Minimize” is highly subjective, and objective outcomes are missing)
- Assist the Administration in obtaining commitments from key developing countries to reduce greenhouse gas emissions. (Reason: no quantifiable baseline or objective timeline, process-oriented, no targets or performance goals identified)
- Help Russia to develop and support its infrastructure responsible for nuclear procedures, laws, inspections, and training. (Reason: What is to be developed and supported is not defined or quantified)
- Increase the total data delivered to BaBar at the SLAC B-factory by delivering 50 fb-1 of total luminosity. (Reason: jargon-laden)

Examples of Performance Measures that Could Benefit from Additional Refinement

- By 2004, develop advanced diesel engine and vehicle systems technologies for Class 7 and 8 trucks that allow fuel flexibility, reduced emissions, and reduced parasitic losses (aerodynamic drag, rolling resistance, and drive line losses), thereby increasing the average fuel economy of new, long-haul heavy trucks to 10 miles per gallon (MPG) from the approximately 7 mpg of the late 1990s. (This measure could be improved by describing a Class 7 and 8 truck, and avoiding the use of such jargon-laden terms).
- Deliver the first operational, next generation, space-based, optical nuclear explosion detector to the Air Force by 2005. (This measure could be improved by stating [in simple terms] how this benefits taxpayers, i.e., gives early warning/confirmation of possible threats by other nuclear countries, etc.).
- By the end of FY 2003, add 30.6 million barrels of Federal Royalty Oil to the SPR inventory for a total of 39.8 million barrels cumulative from April 2002. (This measure could be improved by describing what “Federal Royalty Oil” is, and why this activity provides an important benefit to the general public).
- Complete construction of the Los Alamos Isotope Production Facility, which is needed for the production of short-lived radioisotopes essential for U.S. medical research. (This measure could be improved by specifying the date for completion, what type of medical research would be supported, briefly explaining what a short-lived radioisotopes is, and describing when the facility will be operational).
- Produce draft DNA sequences of more than 30 microbes vital to future U.S. energy security and independence, carbon sequestration, and environmental cleanup. (This measure could be improved by briefly defining “carbon sequestration” in terms that are easy for a non-scientific, non-technical audience to understand).
- Keep deviations in cost and schedule for upgrades and construction of scientific user facilities within 10 percent of approved baselines. (This measure could be improved by briefly defining the use of the term “approved baselines”).
- Increase the use of performance-based contracts so that:
 - 60 percent of total eligible service contracting dollars (over \$100K) will be obligated as performance-based service contracts; and
 - 66 percent of total eligible new service contracts (over \$100K) will be performance-based service contracts. (This measure could be improved by describing quantitatively the condition at the beginning and end of the performance).

Examples of Exemplary/Excellent Performance Measures

- Relative to a 1996 level of 6.5 gigawatts (GW), provide technologies to double renewable energy (non-hydroelectric) generating capacity by 2004, and triple it by 2010. This goal includes:
 - Wind: increase total domestic wind-electric generating capacity from 2.5 GW in 1999 to 10 GW by 2010.
 - Solar: increase total domestic sales of solar-electric (photovoltaic) capacity from 0.4 GW in 1996 to 1 GW by 2004, and to 30 GW by 2020.
 - Geothermal: from the base year of 1999, double the number of States with geothermal-electric facilities from 4 to 8 by 2006; increase from 2.5 to 7 million the number of U.S. homes utilizing geothermal energy by 2010; provide 6 GW of electric generating capacity by 2010 compared with 2.8 GW in 1999; increase the fraction of the electricity used by western states that derives from geothermal resources from 1 percent in 1999 to 10 percent in 2020.
- Complete a draft of the human DNA sequence by the end of 2000 and the entire sequence by 2003, as well as the genomes of many other animals and microbes, to provide the starting material needed to understand both normal and abnormal function including development, function, and disease.



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MAY 22 2002

MEMORANDUM FOR DISTRIBUTION

FROM: BRUCE M. CARNES
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SUBJECT: Program Effectiveness Reviews for the OMB FY 2004
Budget Review

As part of the President's budget and performance integration management initiative, the Office of Management and Budget (OMB) will continue to emphasize program effectiveness. Currently, OMB is conducting agency-specific reviews to identify those programs that will receive close scrutiny over the summer and into the fall decision-making process, and to test evaluation tools for a subset of these programs. OMB will review approximately twenty percent of each Department and Agency's programs. OMB will be publishing the results of the review in the President's FY 2004 Budget. OMB's long-term goal is to systematically assess the effectiveness of all Federal programs over a 5-year period.

OMB has discussed with the Department the programs that will be the focus of evaluations for the FY 2004 Budget. For FY 2004, OMB intends to focus on: the Department's research and development activities; the Environmental Management (EM) program; Weatherization Grants; the Power Marketing Administrations; and National Nuclear Security Administration (NNSA) programs, to include the Advanced Simulation and Computing Campaign, Safeguards and Security, Facilities and Infrastructure, and Material Protection and Cooperation. The purpose of this memorandum is to guide preparation for these reviews.

OMB has made program effectiveness reviews a centerpiece of its strategy to evaluate the effectiveness of Executive Branch agencies in meeting the President's Management Agenda (PMA) criterion for Budget and Performance Integration. OMB will evaluate programs using a combination of: (1) the agency's Government Performance and Results Act (GPRA) plans; and (2) program effectiveness reviews. These program reviews will serve as a diagnostic tool to identify/determine the strengths and weaknesses of the program. The evaluations will address the need for, mission of, and results from the program, as well as program management, and may have a significant impact on budget decisions.

OMB, in conjunction with the Department, will conduct the evaluations in two phases. OMB will complete the first phase in the next few weeks. This phase will involve testing the program rating tools developed by OMB for different categories of Federal programs. The purpose of these tools is to establish a more consistent



approach to rating Federal programs by applying a standard set of questions and a consistent scoring practice to categories of programs. Information gained from testing these tools will be useful in determining whether to modify the tools to improve their ability to provide accurate and useful information about program performance. OMB will test the following programs as part of this phase: one of the Department's research and development programs, the EM program, Weatherization Grants, and the Power Marketing Administrations. OMB will conduct the second phase over the summer and fall. This phase involves evaluating the other Department's programs selected for evaluation for FY 2004, as well as any additional work needed to complete or refine the evaluations conducted under the first phase.

OMB will provide instructions for completion of the Program Effectiveness Reviews. The Office of Program Analysis and Evaluation (PA&E) in OMBE is the Departmental focal point for interactions with OMB on the Program effectiveness Reviews. PA&E will forward instructions on performance measures under separate cover to your supporting planning, programming, and budget personnel to guide development of GPRA plans/goals.

The following OMB benchmarks indicate budget and performance integration:

- The agency must be in full compliance with the performance measurement expectations of GPRA.
 - This means establishing goals that are measurable, outcome-oriented, supported by objective performance data, and achieve complete integration of the budgeting and performance processes.
- These goals must be consistent with the objectives of the authorizing statutes, and the Administration's policy agenda.
- Full integration of budget and performance also means all Departmental programs must be mapped to one or more GPRA goals, which are clearly measurable and validated, and capacity exists to describe the full cost (at the margin) of getting results.
- The costs of increments of change and the unit costs of achieving outcomes must be clearly articulated.
- Personnel who are held accountable for performance must have the authority to make decisions regarding resources and management of programs.
- Agency performance must be tracked and evaluated on a regular basis

Questions should be referred to Mr. Chris Simpson, Deputy Director, Office of Program Analysis and Evaluation (ME-20), at 202-586-4310.

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